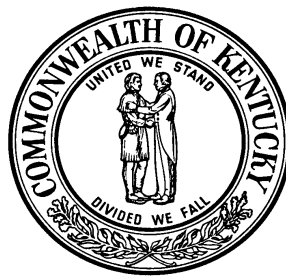


**REPORT OF THE AUDIT OF THE  
BOONE COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2012**



**MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS  
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FRANKFORT, KY 40601-1817  
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**EXECUTIVE SUMMARY**  
**AUDIT OF THE**  
**BOONE COUNTY SHERIFF**

**For The Year Ended**  
**December 31, 2012**

The Auditor of Public Accounts has completed the Boone County Sheriff's audit for the year ended December 31, 2012. Based upon the audit work performed, the financial statements present fairly, in all material respects, the revenues, and expenditures of the Sheriff and the revenues, expenditures, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting.

**Financial Condition:**

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county government fund and paid quarterly to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The Boone County Sheriff had total revenues of \$15,700,604 which was a \$4,315,511 increase from the prior year. Except for reimbursed expenses in the amount of \$1,699,363 and Fiscal Court contributions of \$9,998,000, the Sheriff paid 25% of revenues to the Boone County Fiscal Court in the amount of \$980,184. This was an increase of \$407,556 from the prior year. In addition, expenditures increased by \$1,066,769.

**Report Comment:**

2012-001 The Sheriff Lacks Controls Over Employee Timesheets And Recordkeeping

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities.



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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Gary W. Moore, Boone County Judge/Executive  
Honorable Michael Helmig, Boone County Sheriff  
Members of the Boone County Fiscal Court

Independent Auditor's Report

**Report on the Financial Statements**

We have audited the accompanying Statement of Revenues and Expenditures - Regulatory Basis of the Sheriff of Boone County, Kentucky, and the Statement of Revenues, Expenditures, and Fund Balances of the Sheriff's Operating Fund and County Fund with the State Treasurer - Regulatory Basis for the year ended December 31, 2012, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Guide for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient to provide a basis for our audit opinion.



The Honorable Gary W. Moore, Boone County Judge/Executive  
Honorable Michael Helmig, Boone County Sheriff  
Members of the Boone County Fiscal Court

### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1 of the financial statement, the financial statement is prepared by the Sheriff on the basis of the accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinions on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Sheriff, as of December 31, 2012, or changes in financial position or cash flows thereof for the year then ended.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statements referred to above present fairly, in all material respects, the revenues and expenditures of the Sheriff and the revenues, expenditures, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer for the year ended December 31, 2012, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2015 on our consideration of the Boone County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Boone County Sheriff's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.



The Honorable Gary W. Moore, Boone County Judge/Executive  
Honorable Michael Helmig, Boone County Sheriff  
Members of the Boone County Fiscal Court

**Other Reporting Required by Government Auditing Standards (Continued)**

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

2012-001 The Sheriff Lacks Controls Over Employee Timesheets And Recordkeeping

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal flourish extending to the right.

Mike Harmon  
Auditor of Public Accounts

November 24, 2015

BOONE COUNTY  
MICHAEL HELMIG, SHERIFF  
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS

For The Year Ended December 31, 2012

Revenues

Federal Grants:

Bulletproof Vest Grant	\$ 27,003	
Motor Carrier Safety Assistance Program Grant	17,999	
Governor's Highway Safety Grant	42,339	
Edward Byrne Memorial Justice Assistance Grant	10,994	
Recovery Act Justice Assistance Grant	<u>118,242</u>	\$ 216,577

State Grants:

Kentucky Law Enforcement Foundation		
Program Fund (KLEFPF)	524,060	
Law Enforcement Services Fee Grant	<u>19,363</u>	543,423

Federal Fees For Services:

Department of Justice	15,294	
FBI - Joint Terrorism Task Force	<u>16,233</u>	31,527

State Fees for Services:

Finance and Administration Cabinet		294,519
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District Court Clerk:

Fines/Fees Collected		249
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Fiscal Court

9,998,000

County Clerk - Delinquent Taxes

128,548

Commission on Taxes

3,348,288

Fees Collected for Services:

Auto Inspections	67,345	
Accident /Police Reports	65	
Boone County School	175,180	
Serving Papers	332,042	
Carrying Concealed Deadly Weapon Permits	27,200	
Sheriff's Penalty and Advertising Fees	161,270	
Other Police Services	<u>42,578</u>	805,680

Other Revenues:

Impound	150	
Employee Share Health Insurance	166,824	
Service Charge - Ordinance #03-07	82,460	
Court Ordered Payments	8,048	
Interest Earned	1,448	
Miscellaneous	<u>74,863</u>	<u>333,793</u>

Total Revenues

15,700,604

The accompanying notes are an integral part of the financial statements.

BOONE COUNTY  
 MICHAEL HELMIG, SHERIFF  
 STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

Expenditures

Payments Made By County:

Service Charges - Ordinance #03-07

\$ 82,481

Total Expenditures

\$ 82,481

Net Revenues

15,618,123

Payments to State Treasurer:

75% Operating Fund \*

14,637,939

25% County Fund

980,184

15,618,123

Balance Due at Completion of Audit

\$ 0

\* Includes fiscal court contributions of \$9,998,000 and reimbursed expenses in the amount of \$1,699,363 for the audit period. See Note 1 of Notes to Financial Statements.

BOONE COUNTY  
MICHAEL HELMIG, SHERIFF  
STATEMENT OF REVENUES, EXPENDITURES, AND  
FUND BALANCES OF THE SHERIFF'S OPERATING FUND  
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2012

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2012	\$ (3,430,779)	\$	\$ (3,430,779)
<u>Revenues</u>			
Fees Paid to State - Operating Funds (75%)	14,637,939		14,637,939
Fees Paid to State - County Funds (25%)		980,184	980,184
Total Funds Available	11,207,160	980,184	12,187,344
<u>Expenditures</u>			
Boone County Government	\$	\$ 980,184	\$ 980,184
Personal Services-			
Officials Statutory Maximum	107,806		107,806
Deputies Salaries	6,774,244		6,774,244
Part-time Salaries	554,673		554,673
Office Staff Salaries	498,797		498,797
Resource Officers' Salaries	538,115		538,115
KLEFPF Salaries	384,716		384,716
Employee Benefits-			
Social Security	614,013		614,013
Retirement	97,445		97,445
Hazardous Duty	2,910,902		2,910,902
Health Insurance	1,667,084		1,667,084
Workers Compensation	93,166		93,166
Other Payroll Disbursements	120,415		120,415
Contracted Services-			
Advertising	282		282
Vehicle Maintenance and Repairs	575,443		575,443
Maintenance Agreements	11,531		11,531
Attorney Retainer	5,500		5,500
Other Contracted Services	6,204		6,204

The accompanying notes are an integral part of the financial statements.

BOONE COUNTY  
MICHAEL HELMIG, SHERIFF  
STATEMENT OF REVENUES, EXPENDITURES, AND  
FUND BALANCES OF THE SHERIFF'S OPERATING FUND  
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS  
For The Year Ended December 31, 2012  
(Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Expenditures</u> (Continued)			
Supplies and Materials-			
Office Supplies	\$ 22,529	\$	\$ 22,529
Uniforms/Equipment	80,193		80,193
Data Processing	11,925		11,925
Deputy Expenses/Training	27,607		27,607
Transporting Prisoners	87,149		87,149
Other Charges-			
Dues	7,464		7,464
Postage	23,414		23,414
Merit Board	3,000		3,000
Medical Supplies	1,511		1,511
General Utilities/Rentals	7,180		7,180
Miscellaneous	21		21
Total Expenditures	<u>15,232,329</u>	<u>980,184</u>	<u>16,212,513</u>
Fund Balance - December 31, 2012	<u>\$ (4,025,169)</u>	<u>\$</u>	<u>\$ (4,025,169)</u>

The accompanying notes are an integral part of the financial statements.

BOONE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the Fiscal Court to collect any amount due from the Sheriff as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a Sheriff's Operating Fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the County Fiscal Court Fund and paid to the Fiscal Courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31:

- Interest receivable
- Collection on accounts due from others for 2012 services
- Reimbursements for 2012 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2012
- Payroll expenditures incurred but not paid

The Attorney General issued a letter which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

BOONE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2012  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Cash and Investments

At the direction of the Fiscal Court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute six percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 18.96 percent for the first six months and 19.55 percent for the last six months.

Hazardous covered employees are required to contribute eight percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute nine percent of their salary to be allocated as follows: eight percent will go to the member's account and one percent will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 35.76 percent for the first six months and 37.60 percent for the last six months.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

BOONE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2012  
(Continued)

Note 2. Employee Retirement System (Continued)

<b>Years of Service</b>	<b>% paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Hazardous employees whose participation began on or after July 1, 2003, earn 15 dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Boone County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Boone County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2012, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.



BOONE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2012  
(Continued)

Note 4. Additional Bank Accounts Maintained By The Boone County Sheriff

A. Equipment Account

This account consists of money received from court judgments. This money is to be used for equipment purchases. The account had a beginning balance of \$486, receipts of \$11,055 and expenditures of \$9,940. The ending balance as of December 31, 2012 was \$1,601.

B. Federal Forfeitures Account-Department of Justice

This account consists of money received from the Federal Government for various cases involving Sheriff's Deputies working for the DEA. It is to be used for equipment and employee training. The account had a beginning balance of \$7,388, receipts of \$70,435 and expenditures of \$73,244. The ending balance as of December 31, 2012 was \$4,579.

C. Flexible Spending Account

The Boone County Sheriff's Department established a Flexible Benefit Plan for its employees. This plan allows for pre-tax salary reductions for dependent care and health premiums. The Flexible Spending Account was created to handle all funds related to the plan offered by the Sheriff's Department. The account had a beginning balance of \$1,098, receipts of \$0 and expenditures of \$0. The ending balance as of December 31, 2012 was \$1,098.

D. Federal Forfeiture-Treasury Account

This account consists of money received from the Federal Government for various cases involving Sheriff's Deputies working for the IRS. It is to be used for equipment and employee training. The account had a beginning balance of \$313,559, receipts of \$144,964 and expenditures of \$284,188. The ending balance as of December 31, 2012 was \$174,335.

E. Payroll Account

This account was created by the Boone County Sheriff's Department to process payroll checks for the Sheriff's Department. After the Sheriff's Department adopted KRS 64.345, "Counties having population of 70,000 or more," salaries of each officer, his deputies, assistants and his office expenses shall be paid semimonthly by the State Treasurer upon the warrant of the Finance and Administration Cabinet. This account still has outstanding checks and will remain open until all checks are cleared or the allotted time has passed and funds are given to the state as unclaimed funds. The account had a beginning balance of \$15,934, receipts of \$0 and expenditures of \$0. The ending balance as of December 31, 2012 was \$15,934.

KRS 393.090 states that after three years, if the funds have not been claimed, they are presumed abandoned and abandoned funds are required to be sent to the Kentucky State Treasurer by KRS 393.110. The Sheriff should send a written report to the Treasury Department and submit \$15,934 to the Kentucky State Treasurer in accordance with KRS 393.110.

BOONE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2012  
(Continued)

Note 4. Additional Bank Accounts Maintained By The Boone County Sheriff (Continued)

E. Federal Shared Proceeds

This account consists of money received from the Federal Government for various cases. It is to be used for employee training. The account had a beginning balance of \$110, receipts of \$0 and expenditures of \$0. The ending balance as of December 31, 2012, was \$110.

Note 5. State Grants

A. Kentucky Law Enforcement Foundation Program Fund (KLEFPF)

The Boone County Sheriff's office received \$524,060 reimbursements from a grant under the Kentucky Law Enforcement Foundation Program Fund (KLEFPF) from the Commonwealth of Kentucky Department of Criminal Justice Training during calendar year 2012. Under the program, eligible officers received up to \$3,100 annually as provided in KRS 15.460. All funds received were expended for their intended purpose.

B. Law Enforcement Services Fee Grant (LSF)

200 KAR 38:020 designates that 14% of the service fees collected from those convicted of Driving Under the Influence (KRS 189A.050) be allocated to the Justice and Public Safety Cabinet for "enforcement activities." The Grants Management Branch uses these funds to create the Law Enforcement Service Fee Grants (LSF) to be used for supplemental DUI enforcement in overtime and/or equipment directly related to DUI enforcement. The Boone County Sheriff received \$19,363 reimbursements from the LSF Grant during calendar year 2012. All funds received were expended for their intended purpose.

Note 6. Federal Grants

A. Edward Byrne Memorial Justice Assistance Grant (JAG)

The Edward Byrne Memorial Justice Assistance Grant Program (JAG) allows states and units of local government to support a broad range of activities to prevent and control crime based on their own state and local needs and conditions. These funds can be used for state and local initiatives, technical assistance, training, personnel, equipment, supplies, contractual support, and information systems for criminal justice. The Boone County Sheriff received \$10,994 reimbursements from the JAG grant during calendar year 2012. All funds received were expended for their intended purpose.

B. Governor's Highway Safety Grant

The Boone County Sheriff's office received reimbursements from a Highway Safety Grant during calendar year 2012. The purpose of the grant is to educate, inform, enforce and target violators of Kentucky traffic laws and make drivers more safety conscious while driving. During calendar year 2012, the Boone County Sheriff's office received reimbursements of \$42,339 from this grant for salary and benefits, public information, educational materials, and other expenses incurred from participating in the statewide law enforcement mobilization. All funds received were expended for their intended purpose.

BOONE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2012  
(Continued)

Note 6. Federal Grants (Continued)

C. Bulletproof Vest Grant

The Boone County Sheriff's office received \$27,003 reimbursements from an award under the Kentucky Body Armor Program during calendar year 2012. Funds received from this program are to be used to purchase bulletproof vests and requires the Sheriff's Office be responsible for at least 50% of the cost of each qualifying vest purchased. All funds received were expended for their intended purpose.

D. Motor Carrier Safety Assistance Program Grant (MCSAP)

The Boone County Sheriff's office received \$17,999 reimbursements from the Motor Carrier Safety Assistance Program (MCSAP) during calendar year 2012. The Motor Carrier Safety Assistance Grant provides financial assistance to reduce the number and severity of crashes and hazardous materials incidents involving commercial motor vehicles, increasing the likelihood that safety defects, driver deficiencies, and unsafe motor carrier practices are detected and corrected before they become contributing factors to crashes. All funds received were expended for their intended purpose.

E. Recovery Act Justice Assistance Grant

In July 2009, The Boone County Sheriff's office was awarded a grant under the FY 09 Recovery Act Justice Assistance Grant. The grant was to be used towards essential equipment for the Sheriff's office and be administered by the Fiscal Court. During Calendar Year 2012, the Sheriff was reimbursed \$118,242 from the Fiscal Court for the grant. All funds were expended for their intended purpose.

Note 7. 75% Operating Fund - Deficit Balance

The Boone County Sheriff's 75% operating fund had a deficit balance of \$4,025,169 as of December 31, 2012. KRS 64.345(4) states, in part, "If seventy-five percent (75%) of the amount paid into the State Treasury in any month by any of such officers is not sufficient to pay the salaries and expenses of his/her office for that month, the deficit may be made up out of the amount paid in any succeeding month; but in no event shall the amount allowed by the Finance and Administration Cabinet to any officer for salaries and expenses exceed seventy-five percent (75%) of the amount paid to the Finance and Administration Cabinet by the officer during his official term." The 75% operating fund has to be settled at the end of the County Sheriff's term, which ends December 31, 2014.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Gary W. Allen, Boone County Judge/Executive  
The Honorable Michael Helmig, Boone County Sheriff  
Members of the Boone County Fiscal Court

**Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards**

**Independent Auditor's Report**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements - regulatory basis of the Boone County Sheriff for the year ended December 31, 2012, and the related notes to the financial statements and have issued our report thereon dated November 24, 2015. The County Sheriff's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Boone County Sheriff's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Boone County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Boone County Sheriff's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

**Internal Control Over Financial Reporting (Continued)**

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, which is described in the accompanying comment and recommendation as item 2012-001 that we consider to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Boone County Sheriff's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**County Sheriff's Response to Finding**

The Boone County Sheriff's response to the finding identified in our audit is included in the accompanying comment and recommendation. The Boone County Sheriff's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", followed by a horizontal line.

Mike Harmon  
Auditor of Public Accounts

November 24, 2015



COMMENT AND RECOMMENDATION



BOONE COUNTY  
MICHAEL HELMIG, SHERIFF  
COMMENT AND RECOMMENDATION

For The Year Ended December 31, 2012

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY:

2012-001 The Sheriff Lacks Controls Over Employee Timesheets And Recordkeeping

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The Sheriff disclosed an issue discovered by his office pertaining to timesheets not being accurate. An employee inaccurately charged overtime. The time frame for these inaccurate timesheets ranged from 2010-2015. The lack of oversight on timesheets by the appropriate supervisor was the cause for the inaccurate time records getting processed.

The county is not in compliance with KRS 337.320. Complete and accurate time records are necessary to ensure employees are paid for actual hours worked and any overtime if necessary. According to KRS 337.320, "Every employer shall keep a record of... [t]he hours worked each day and each week by each employee." Good internal controls dictate that all timesheets be reviewed by a supervisor for accuracy before approving and submitting to payroll for processing.

In order to strengthen internal controls over payroll and ensure compliance with KRS 337.320, we recommend the Sheriff ensure that an employee's supervisor reviews the timesheets for accuracy before approving and submitting to payroll for processing. All employees, with the exception of the elected official, should be required to maintain a timesheet.

*Sheriff's Response: OK.*

